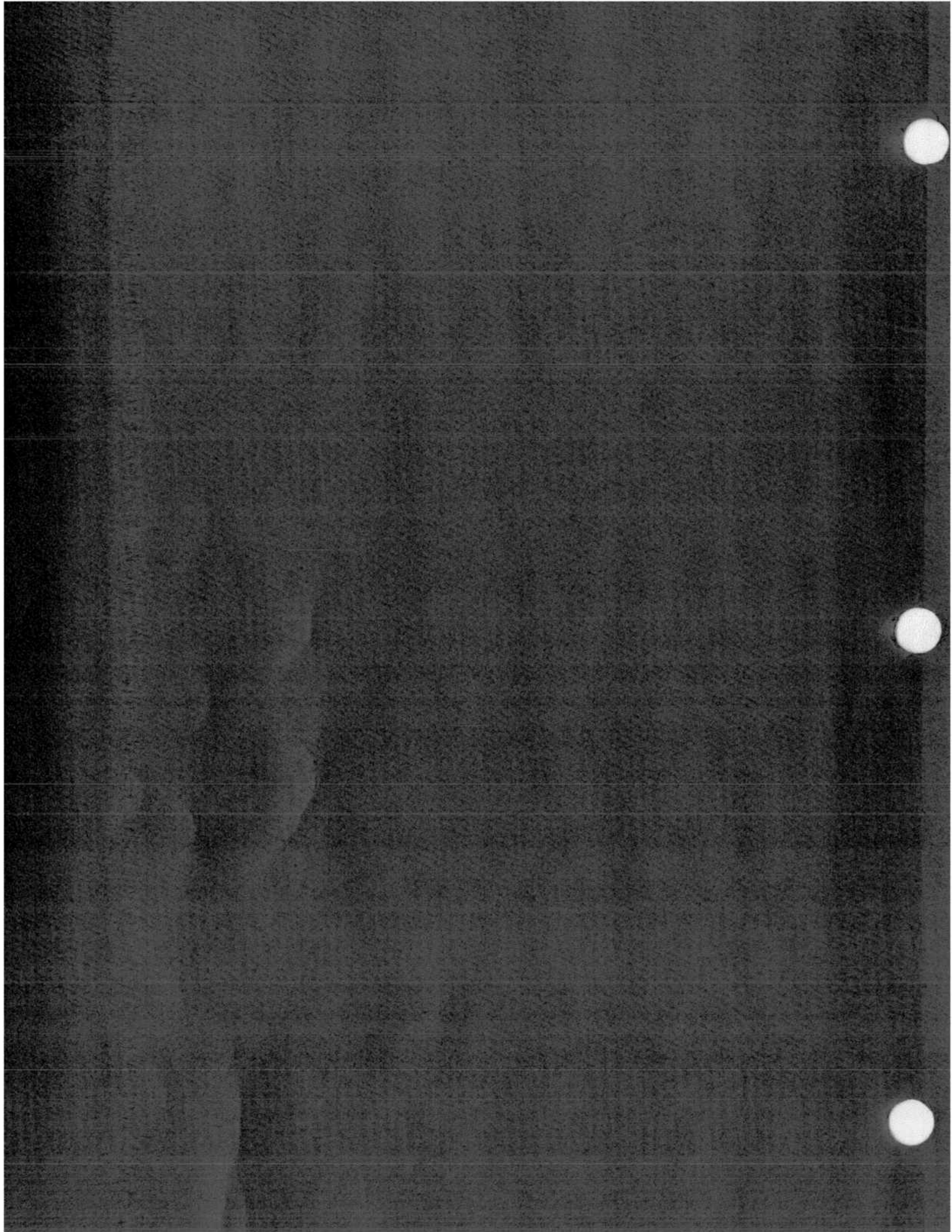


REVENUE SOURCES FY 1983 - 1986

**QUARTERLY UPDATE
SEPTEMBER, 1983**

**ALASKA
DEPARTMENT OF REVENUE**



STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

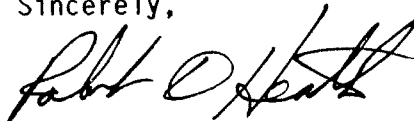
POUCH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

October 10, 1983

To the Reader of the Revenue Sources FY 83-85 (September 1983) and
Petroleum Production Revenue Forecast (September 1983)

The revenue forecast presented in these publications has been prepared by economists and research staff of the Department of Revenue in accordance with the highest professional standards. It has been reviewed and adopted by myself as the Department's best judgment of revenues to be received by the State of Alaska over the prescribed forecast period. The Department of Revenue has historically been and remains solely and exclusively responsible for the preparation of these quarterly forecasts. The experience of recent years involving frequent and significant revisions in estimated revenues is due to the inherent difficulty of predicting the movements in the price of crude oil--a commodity whose volatility over the last decade cannot be exaggerated. This volatility combined with the State of Alaska's almost complete dependence on oil revenues, which in recent years account for almost 90 percent of total revenues, can sometimes lead to dramatic and unavoidable changes in the forecast.

Sincerely,



Robert D. Heath
Commissioner of Revenue

RDH:jas

ALASKA'S REVENUE SOURCES

Compiled by Research Section

Department of Revenue

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Revenue Summary

In Thousands of Current Dollars

	FY 1983 Prelim. Actual <u>September</u>	FY 1984 Estimate <u>September</u>	FY 1985 Estimate <u>September</u>	FY 1986 Estimate <u>September</u>
Total General Fund Unrestricted Revenues (p. 5)	<u>3,628,300</u>	<u>3,166,700</u>	<u>3,312,700</u>	<u>3,607,600</u>
Total General Fund Restricted Revenues (p. 8)	<u>185,400</u>	<u>229,300</u>	<u>232,800</u>	<u>NA</u>
Total General Fund Revenues (p. 8)	<u>3,813,700</u>	<u>3,396,000</u>	<u>3,545,500</u>	<u>NA</u>
Alaska Permanent Fund (p. 9)	<u>821,000</u>	<u>323,500</u>	<u>335,800</u>	<u>368,600</u>

General Fund Unrestricted Revenues

In Thousands of Current Dollars

	FY 1983 Prelim. Actual <u>September</u>	FY 1984 Estimate <u>September</u>	FY 1985 Estimate <u>September</u>	FY 1986 Estimate <u>September</u>
<u>Taxes</u>				
<u>Income</u>				
Corporate-General (1)	30,100	33,000	38,000	40,000
Corporate-Petroleum (1)	236,200	250,000	280,000	310,000
<u>Gross Receipts</u>				
Alaska Business License	6,900	7,500	8,000	8,500
Fish-Canned Salmon	4,300	4,300	4,300	4,300
Fish-Shorebased	11,500	9,000	9,000	9,000
Fish-Floating	4,700	4,000	4,000	4,000
Seafood Marketing	900	800	800	800
Salmon Enhancement	2,600	2,500	2,500	2,500
Insurance Companies	13,800	17,000	20,000	22,000
Electric and Telephone Co-ops	1,400	1,500	1,500	1,600
Mining License Tax	200	200	300	300
<u>Severance</u>				
Oil & Gas Production(2)	1,493,000	1,294,700	1,325,400	1,443,500
Oil & Gas Conservation	700	700	700	700
<u>Property</u>				
Oil & Gas(3)	152,600	180,000	200,000	206,600
<u>Sale/Use</u>				
Alcoholic Beverages (4)	10,400	13,000	15,000	17,000
Fuel Taxes-Aviation	8,700	9,100	9,300	9,500
Fuel Taxes-Highway	23,700	19,500	20,000	20,500
Fuel Taxes-Marine	4,300	4,200	4,300	4,400
Tobacco Products	2,000	2,000	2,000	2,000
<u>Other</u>				
Estate	700	600	600	600
Total Taxes	<u>2,008,700</u>	<u>1,853,600</u>	<u>1,945,700</u>	<u>2,107,800</u>
<u>Licenses & Permits</u>				
Business	10,800	12,000	12,500	13,000
Non-Business	13,500	13,500	14,000	14,500
Total Licenses & Permits	<u>24,300</u>	<u>25,500</u>	<u>26,500</u>	<u>27,500</u>
<u>Intergovernmental Receipts</u>				
Federal Shared Revenues(5)(6)	<u>33,300</u>	<u>14,000</u>	<u>14,500</u>	<u>15,000</u>
<u>State Resource Revenue</u>				
<u>Sale/Use</u>				
Bonus Sales(5)(7)(8)	36,200	1,400	-0-	-0-
Investment Earnings(9)	375,800	240,000	250,000	275,000
Rents(5)(7)(8)	4,200	4,600	4,800	5,000
Royalties(2)(5)	1,078,600	955,500	996,200	1,093,800
Sale of State Property	6,200	7,400	8,000	8,600
Gravel, Timber, etc.(10)	4,000	4,000	4,000	10,000

Facilities Related Charges

Airports	1,400	1,600	1,600	1,600
Ferry System-Southeast	26,500	29,200	30,700	32,500
Ferry System-Southwest	4,000	4,000	4,000	4,100
Other	5,300	6,000	6,500	6,500
<u>Service Related Charges</u>				
Court System	3,100	3,900	4,200	4,200
Other	5,800	6,000	6,000	6,000
Total State Resources Revenues	<u>1,551,100</u>	<u>1,263,600</u>	<u>1,316,000</u>	<u>1,447,300</u>
Miscellaneous Revenues	<u>10,900</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total Unrestricted Revenues	<u>3,628,300</u>	<u>3,166,700</u> (11)	<u>3,312,700</u>	<u>3,607,600</u>

(1) AS 43.21 was repealed pursuant to Ch. 116 SLA 1981 effective January 1982, and thereby all multistate corporations were subject to various apportionment methods specified in AS 43.20. Due to the number of inquiries requesting information, collections are separated between those oil/gas corporations filing under AS 43.20.072 and those corporations filing otherwise.

(2) The previously forecasted numbers for FY 83 had assumed a mean or average case for petroleum revenues. The forecasted numbers for FY 84, FY 85, and FY 86 represent the 30 percent cumulative frequency distribution (that is, the revenue level which was reached or exceeded seven times out of ten in the 500 cases generated by the computer); if, however, the mean case had been utilized instead the aforementioned numbers would change to \$1,380.2 million, \$1,448.1 million, and \$1,613.5 million for production taxes during FY 84, FY 85, and FY 86, respectively. The royalty numbers would change to \$1,019.6 million, \$1,088.1 million, and \$1,229.4 million for FY 84, FY 85, and FY 86, respectively.

(3) The figures reflect only the net amount to the state's General Fund.

(4) Estimates reflect the following increased liquor taxes per Ch. 46 SLA 1983 effective July 9, 1983: malt beverages (from \$0.25 to \$0.35 per gallon); wines (from \$0.60 to \$0.85 per gallon); and hard liquor (from \$4.00 to \$5.60 per gallon).

(5) Net of Permanent Fund contribution by Ch. 18 SLA 1980.

(6) The FY 83 figure reflects NPR-A lease sales of \$57.1 million held January 27, 1982, and \$9.7 million held May 26, 1982, with the total amount of the lease sale split equally between the state and federal government. The state's share (\$33.4 million) is further equally divided between the General Fund and the Permanent Fund.

(7) Reflects state lease sales of \$32.5 million held May 26, 1982 (Sale 36--Beaufort Sea), \$0.7 million held August 25, 1982 (Sale 37--Tanana and Copper River Basins and Sale 37A--Chakok River), \$26.7 million held September 28, 1982 (Sale 34--Prudhoe Bay Uplands), \$21.0 million held May 17, 1983 (Sale 39--Beaufort Sea), and \$3.2 million held September 28, 1983 (Sale 40--Upper Cook Inlet). Due to the timing of collections, some receipts from the May 1982 lease sale are shown as FY 83 revenue. FY 83 and FY 84 figures represent the General Fund's 50 percent share with the remaining 50 percent deposited in the Permanent Fund.

(8) The Department of Natural Resources projects the following state lease sales to be held in 1984, 1985, and 1986: FY 84 (Sale 42--Minchumina, Sale 43--Beaufort Sea); FY 85 (Sale 41--Bristol Bay Uplands, Sale 46--Holitna Basin, Sale 47--Kuparuk Uplands); and FY 86 (Sale 45--Hope Basin, Sale 48--Kuparuk Uplands, Sale 49--Cook Inlet). However, bonus bids are impossible to anticipate prior to sales and therefore no estimates are included.

(9) FY 83 includes that transition portion transferred (\$109,535,000) from the Permanent Fund to the General Fund per Ch. 81 SLA 1982. FY 84, FY 85, and FY 86 reflect only General Fund investment earnings since Permanent Fund earnings will be not only transferred to provide Permanent Fund dividends, but will be distributed between the Permanent Fund principal and the undistributed income account per Ch. 81 and Ch. 102 SLA 1982.

(10) Estimates reflect increased construction of roads and drilling pads as projected by the Department of Natural Resources.

(11) The state, per AS 38.05.180, will be granting incentive credits against royalties, severance taxes, and rentals to the oil companies for drilling exploratory wells. The anticipated deduction for FY 84 is approximately \$12 million which has not been subtracted from the aforementioned FY 84 figure of \$3,166.7 million.

Revenue Breakdown

The total General Fund unrestricted revenues for Fiscal Years 1983, 1984, 1985, and 1986 are projected to be \$3,628.3 million, \$3,166.7 million, \$3,312.7 million, and \$3,607.6 million, respectively.

The following table depicts a breakdown of General Fund unrestricted revenues in terms of petroleum versus non-petroleum revenues based on the September estimates:

Petroleum vs. Non-Petroleum Revenues

(In Millions of Current Dollars)

Petroleum Revenues

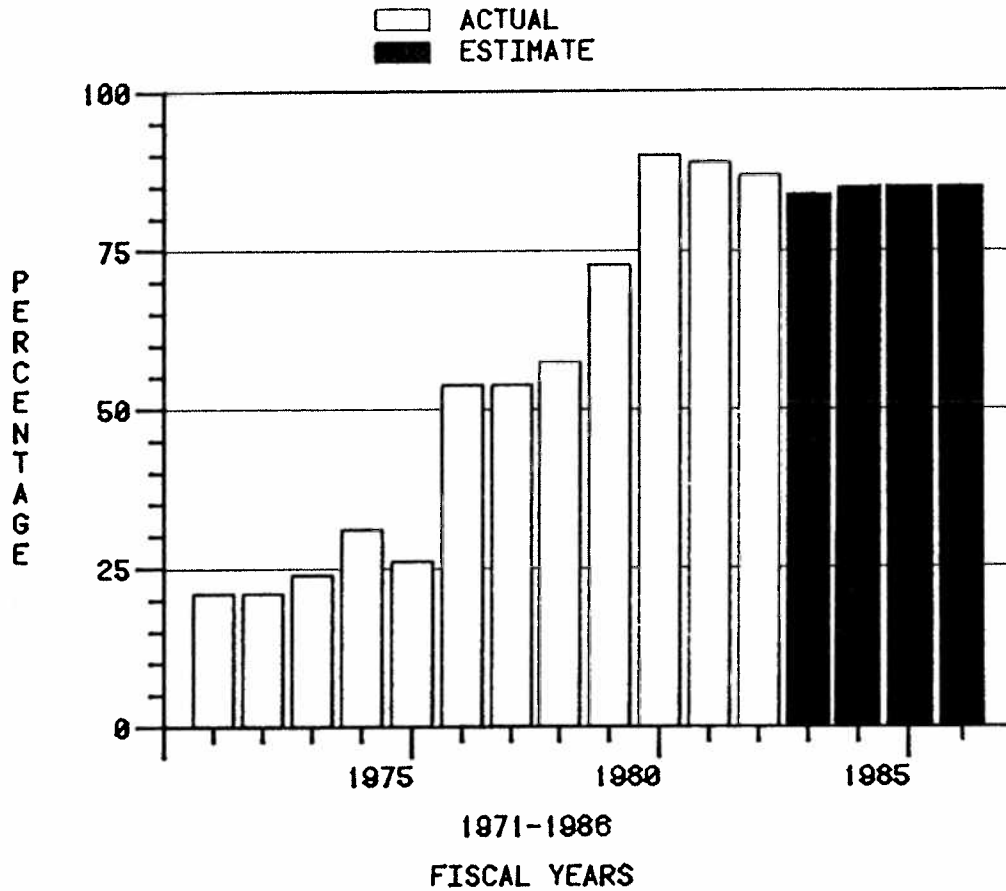
	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>
Corporate Petroleum	236.2	250.0	280.0	310.0
Severance Tax	1,493.7	1,295.4	1,326.1	1,444.2
Royalties	1,078.6	955.5	996.2	1,093.8
Property Tax	152.6	180.0	200.0	206.6
Bonus Sale	36.2	1.4	-0-	-0-
Rents	2.6	2.8	2.9	3.0
Intergovernmental Receipts	27.2	8.0	8.5	9.0
	<u>3,027.1</u>	<u>2,693.1</u>	<u>2,813.7</u>	<u>3,066.6</u>

Non-Petroleum Revenues

	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>
Taxes	126.2	128.2	139.6	147.0
Licenses & Permits	24.3	25.5	26.5	27.5
Intergovernmental Receipts	6.1	6.0	6.0	6.0
State Resources Revenues	433.7	303.9	316.9	350.5
Miscellaneous Revenues	10.9	10.0	10.0	10.0
	<u>601.2</u>	<u>473.6</u>	<u>499.0</u>	<u>541.0</u>
Total	<u>3,628.3</u>	<u>3,166.7</u>	<u>3,312.7</u>	<u>3,607.6</u>

Petroleum Revenues

Historical Comparison of General Fund
Unrestricted Petroleum Revenues as Percentages
of General Fund Unrestricted Revenues
(in Millions of Current Dollars)



<u>Fiscal Year</u>	<u>Total General Fund Unrestricted Revenues</u>	<u>Total General Fund Unrestricted Petroleum Revenues</u>	<u>Percent</u>
1971	220.4	47.0	21
1972	219.2	48.4	22
1973	208.2	50.3	24
1974	254.9	80.2	31
1975	333.4	90.4	27
1976	709.8	391.5	55
1977	874.3	477.6	55
1978	764.9	441.5	58
1979	1,133.0	821.6	73
1980	2,501.2	2,256.5	90
1981	3,718.2	3,304.3	89
1982	4,108.4	3,574.8	87
1983*	3,628.3	3,027.1	83
1984**	3,166.7	2,693.1	85
1985**	3,312.7	2,813.7	85
1986**	3,607.6	3,066.1	85

* Preliminary Actual

** Estimate

Restricted Revenues

In Thousands of Current Dollars

	FY 1983 Prelim. Actual <u>September</u>	FY 1984 Estimate <u>September</u>	FY 1985 Estimate <u>September</u>	FY 1986 Estimate <u>September</u>
<u>Federal Grants-in-Aid</u>				
I. Education	31,600	35,400	35,400	NA
II. Social Services	77,600	125,200	128,200	NA
III. Health	11,600	2,200	2,200	NA
IV. Natural Resources	13,600	12,500	12,400	NA
V. Public Protection	4,900	6,200	6,600	NA
VI. Administration of Justice	400	300	300	NA
VII. Development	6,500	500	500	NA
VIII. Transportation	11,000	25,800	25,800	NA
IX. General Government	<u>1,800</u>	<u>100</u>	<u>100</u>	<u>NA</u>
Total Federal Grants-in-Aid	<u>159,000</u>	<u>208,200</u>	<u>211,500</u>	<u>NA</u>
<u>Other Grants-in-Aid</u>				
I. Education	1,300	400	400	NA
II. Social Services	-0-	4,000	4,100	NA
III. Health	200	-0-	-0-	NA
IV. Natural Resources	800	400	400	NA
V. Public Protection	2,200	2,100	2,100	NA
VI. Administration of Justice	100	100	100	NA
VII. Development	3,100	1,300	1,300	NA
VIII. Transportation	800	1,800	1,800	NA
IX. General Government	<u>2,000</u>	<u>2,500</u>	<u>2,600</u>	<u>NA</u>
Total Other Grants-in-Aid	<u>10,500</u>	<u>12,600</u>	<u>12,800</u>	<u>NA</u>
Miscellaneous Restricted Revenue-All Categories	<u>15,900</u>	<u>8,500</u>	<u>8,500</u>	<u>NA</u>
Total Restricted Revenue 1/	<u>185,400</u>	<u>229,300</u>	<u>232,800</u>	<u>NA</u>
Total Unrestricted Revenue	<u>3,628,300</u>	<u>3,166,700</u>	<u>3,312,700</u>	<u>NA</u>
Total General Fund Revenue	<u>3,813,700</u>	<u>3,396,000</u>	<u>3,545,500</u>	<u>NA</u>

1/ Restricted Revenue figures may not agree with those shown in the Governor's budget due to categorical differences between the budget and accounting system.

NA Not available.

Special Funds

In Thousands of Current Dollars

	FY 1983 Prelim. Actual <u>September</u>	FY 1984 Estimate <u>September</u>	FY 1985 Estimate <u>September</u>	FY 1986 Estimate <u>September</u>
<u>Enterprise Funds</u>				
Agriculture Loan Fund	1,100	2,500	2,800	NA
Alternative Technology and Energy Loan Fund	300	500	700	NA
Bulk Fuel Loan Fund	-0-	-0-	-0-	NA
Child Care Facility Loan Fund	-0-	-0-	-0-	NA
Commercial Fish Loan Fund	1,900	3,600	4,000	NA
Fisheries Enhancement Loan Fund	-0-	-0-	-0-	NA
Fisheries Product Loan Fund	-0-	-0-	-0-	NA
Historical District Loan Fund	-0-	100	100	NA
International Airport Revenue Fund	29,000	36,400	36,500	NA
Medical Malpractice Loan Fund	-0-	-0-	-0-	NA
Mining Loan Fund	700	1,900	2,400	NA
Residential Energy Conservation Loan Fund	200	300	400	NA
Scholarship Loan Fund	700	1,700	2,500	NA
Small Business Loan Fund	4,100	2,500	2,300	NA
Tourism Loan Fund	300	200	200	NA
World War II Veterans Loan Fund	<u>900</u>	<u>1,600</u>	<u>1,400</u>	<u>NA</u>
Total Enterprise Funds	<u>39,200</u>	<u>51,300</u>	<u>53,300</u>	<u>NA</u>
<u>Special Revenue Funds</u>				
Alaska Permanent Fund (1)	821,000	323,500	335,800	368,600
Fish and Game Fund	6,300	8,200	8,600	NA
Marine Coastal Damage Fund	-0-	-0-	-0-	NA
School Fund	3,300	3,300	3,300	3,300
Training & Building Fund	<u>700</u>	<u>600</u>	<u>600</u>	<u>NA</u>
Total Special Revenue Funds	<u>831,300</u>	<u>335,600</u>	<u>348,300</u>	<u>NA</u>
Total Special Funds	<u>870,500</u>	<u>386,900</u>	<u>401,600</u>	<u>NA</u>

(1) The FY 83 figure includes \$400 million of the \$1.8 billion appropriated to the Alaska Permanent Fund per Ch. 61 SLA 1981 and Ch. 101 SLA 1982.

NA Not available.

Alaska Permanent Fund

In Thousands of Current Dollars

Permanent Fund Principal

<u>FY</u>	<u>Mineral Revenues</u>	<u>Appropriations</u>	<u>Inflation Proofing</u>	<u>Total Contributions</u>	<u>Balance</u>
1977	4,000	-0-	-0-	4,000	4,000
1978	50,500	-0-	-0-	50,500	54,500
1979	83,900	-0-	-0-	83,900	138,400
1980	344,800 (1)	-0-	-0-	344,800	483,200
1981	385,100	900,000	-0-	1,285,300 (2)	1,768,500
1982	400,500	800,000	-0-	1,200,500	2,969,000
1983	421,000	400,000	231,200	1,052,200	4,021,200

Earnings Distribution

<u>FY</u>	<u>General Fund</u>	<u>Dividend Account</u>	<u>Inflation Proofing</u>	<u>Undistributed Income Account</u>	<u>Total Earnings</u>
1977	-0-	-0-	-0-	-0-	-0-
1978	1,300	-0-	-0-	-0-	1,300
1979	6,500	-0-	-0-	-0-	6,500
1980	11,800	11,800	-0-	-0-	23,700
1981	27,500	27,500	-0-	31,200	86,200
1982	71,100	71,100	-0-	174,700	317,000
1983	109,500 (3)	107,900 (4)	231,200	22,500 (5)	471,100

(1) Includes \$114.5 million as 25 percent of bonuses and rentals for the undisputed state portion of the Beaufort Sea Lease Sale. Litigation over the legality of that sale is still pending.

(2) Includes \$219,000.00 transfer of net investment gains to principal.

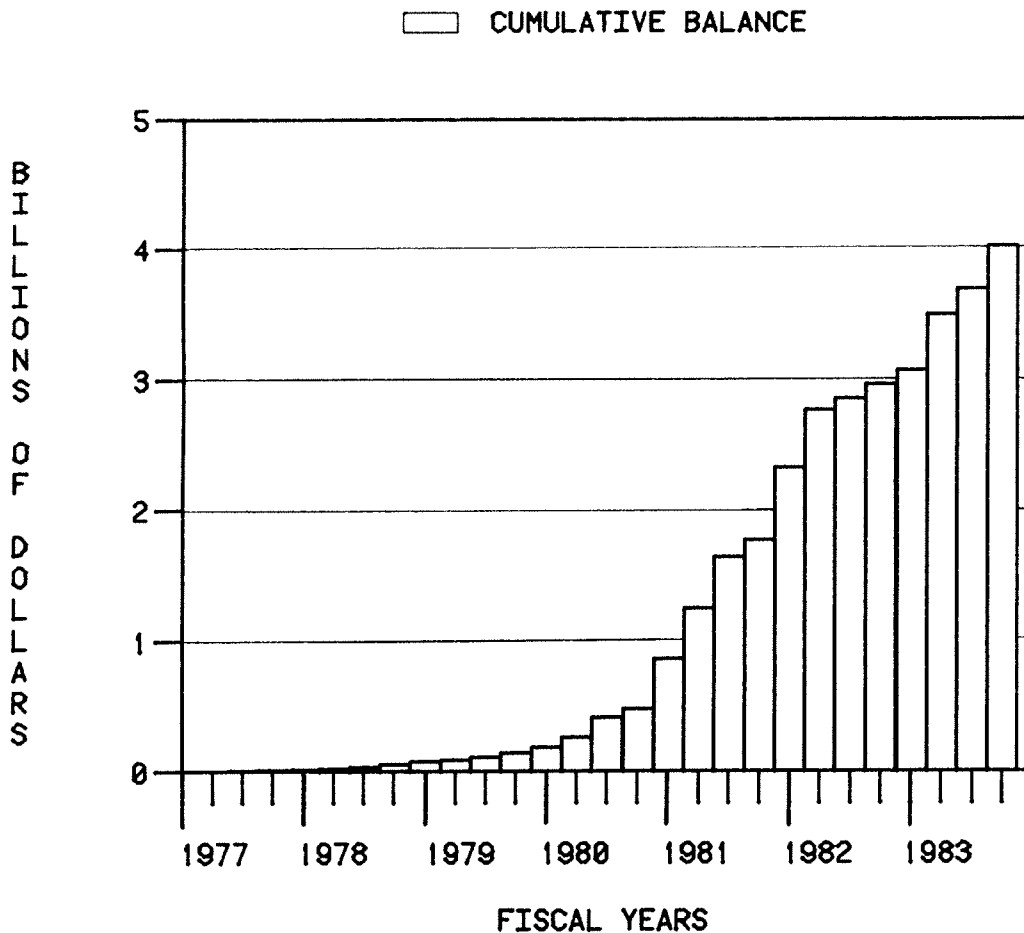
(3) Ch. 81, SLA 1982 provided transitional procedures whereby an amount equal to the distributable income for 1983 would be transferred from the Undistributed Income Account to the General Fund. This would then be the final General Fund contribution which is not destined for the dividend program.

(4) Ch. 107, SLA 1983 appropriated \$179,020,000 to the Undistributed Income Account for payment of Permanent Fund dividends and FY 84 operating expenses (\$3,084,000) of the Permanent Fund program. In FY 82 approximately \$71.1 million was transferred to the Dividend Account. The remaining balance of the appropriation, composed of dividend payments and operating expenses, was transferred to the Dividend Account in FY 83.

(5) Balance of the Undistributed Income Account, as of June 30, 1983, totaled \$353.8 million which also included the transition rule adjustment of \$87.5 million plus \$37.9 million which accrued in FY 82 but was not received until FY 83.

Alaska Permanent Fund

Historical Comparison of Cumulative Balance



Alaska Permanent Fund

The Alaska Permanent Fund was established by a constitutional amendment effective February 21, 1977. The amendment stated that contributions to the fund must consist of at least 25 percent of mineral lease rentals, royalties, royalty sale proceeds, Federal mineral revenue sharing payments and bonuses received by the State. Enacted legislation (Ch. 18 SLA 1980) has modified this contribution rate to the Permanent Fund from 25 percent to 50 percent. As a result, any future revenues transferable from Beaufort Sea production and any future lease sale bonuses will be subject to the 50 percent rate. During FY 1981, a special appropriation (Ch. 35 SLA 1980) appropriated \$900 million from the General Fund to the Permanent Fund. Similarly, an additional \$1.8 billion was appropriated (Ch. 61 SLA 1981) for FY 1982 with payments beginning July 1, 1981; however, this appropriation has recently been legislatively amended (Ch. 101 SLA 1982) thus permitting deposit of only \$800 million in FY 82 and an additional deposit of \$400 million during FY 83.

